



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31, 2020

Overview

In Q1'2020, the Company was severely affected by a COVID-19 pandemic. This pandemic also slow down the overall economy in both domestic level and global level. The Company also suffered from a COVID-19 Lockdown measure to refrain from economic activities. Due to a temporarily shut down of most of SE-ED Book Center branches in a mid of March, the Company's primary source of income had greatly declined. Furthermore, the new Thai Financial Reporting Standard 16 (TFRS16) had been effective and impacted the Company in the following terms:

- By Declaration of an Emergency Situation in all areas of the Kingdom of Thailand to temporarily shut down areas, most of SE-ED Book Center branches cannot operate since a mid of March 2020 because its branches located in lockdown areas. The total number of closing down branches was 289 branches. Only 23 braches still operated normally.
- The Right of Use increased by THB 390 million and liabilities under lease agreements increased by THB 355 million. Both of them were one-time items from applying TFRS16, which firstly introduced in 2020.

However, the Company was improving its online channels to be more convenient and faster to facilitate the changes of customer behavior which tended to shop online more. The Company structure had been revised to increase efficiency, reduce costs, and generate new sources of income. The Company also attached great importance to new digital businesses. Currently, the Company was under products & services development with collaboration from alliances specialized in education, content providers, and international technology leaders in order to strengthen and maintain its premier position in book industry and the greatest book store chain store of Thailand. This would embark a new era of learning centers on online and offline platforms.

SE-ED's loss in Q1'2020 is THB 20.45 million.

In consolidated financial statements of Q1'2020, net loss of the Company was THB 20.45 million and loss increased by THB 8.06 million or 65.05%. The net loss in separate financial statements was THB 22.03 million, loss increased by THB 8.47 million or 62.46% due to a sales decline from lockdown effect and retail recession in overall. This was in accordance with a decline of purchasing powers of the lower-middle class whose incomes come from agricultural products that needed a

commercially encouragement from the government sector. Further, the household debts were not seemingly to be lightened, directly affecting the purchasing power. This also caused economic recessions widely and took a long time to recover.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 23.22% from the previous year. The total revenue from the separate financial statement decreased by 24.91% which primarily caused by the revenue from the Company's retail business declined due to customer traffic lessened and customers spent more time on social media for information, negatively affected retail business in overall. Also, this decrease of sales was affected by closing down unprofitable branches.
- **The selling and administrative expenses** decreased by 16.59% due to better stock management, improved working performance, and well costs and expenses control.
- **Financing cost** increased by THB 0.29 million because an increase of the short-term loan.

Table 1 : Operation results for the three-month period ended 31 March of 2020 and 2019

(Unit : Million Baht)

	Consolidated financial statement			
	Q1'2020	Q1'2019	Increase (decrease)	%
Revenue from sales of goods	591.91	773.67	(181.76)	(23.49%)
Cost of sales	385.69	513.78	(128.09)	(24.93%)
Gross profit	206.22	259.89	(53.67)	(20.65%)
Gross profit margin	34.84%	33.59%		1.25%
EBITDA	19.98	31.77	(11.79)	(37.11%)
Profit (loss) attributable to				
Equity holders of the Company	(20.45)	(12.39)	(8.06)	(65.05%)
Net earnings per share (Unit : Baht)	(0.052)	(0.032)	(0.02)	(62.50%)

Note: EBITDA is earnings before Interest and Tax, plus Depreciation & Amortization.

**% Margin increased
or 1.25%**

In Q1'2020, gross profit was THB 206.22 million, decreased by THB 53.67 million or 20.65% from the previous year due to a decrease in sales. Gross margin in Q1'2020 was 34.84%, increased by 1.25% from the previous year due to more effective marketing management for sales promoting.

cost of sales and services decreased by THB 128.09 million Cost of sales and services according to consolidated financial statements is THB 385.69 million, decreased by THB 128.09 million or 24.93% in accordance with the decline of sales.

EBITDA decreased by THB 11.79 million or 37.11% EBITDA decreased by THB 11.79 million due to an operational performance of Q1'2020.

Table2: Statement of financial position As at 31 March 2020 and 31 December 2019

(Unit : Million Baht)

	Consolidated financial statement			
	31 March 2020	31 December 2019	Increase (decrease)	%
Current assets	674.94	563.16	111.78	19.85%
Non-current assets	2,251.13	1,909.62	341.51	17.88%
Total assets	2,926.07	2,472.78	453.29	18.33%
Current liability	1,196.19	917.70	278.49	30.35%
Non-current liability	507.07	311.11	195.96	62.99%
Total liability	1,703.26	1,228.81	474.45	38.61%
Total shareholder's equity	1,222.81	1,243.97	(21.16)	(1.70%)
Total liability and shareholder's equity	2,926.07	2,472.78	453.29	18.33%

Current assets increased by THB 111.78 million or 19.85%

Current assets increased by THB 111.78 million as follows:

- Trade receivables and other receivables increased by THB 48.35 Million or accounted for 83.66% which was resulted from coming-back semester of most educational institutes.
- Inventories increased by THB 72.65 million or 22.18%. This was due to ordered foreign books prepared for accommodating new semester.
- Current investments decreased by THB 6.10 million due to the Company's subsidiary.

Non-current assets increased by THB 341.51 million or 17.88%

Non-current assets increased by THB 341.51 million due to:

- The rights of use under lease agreements increased by THB 390.23 million according to TFRS16.

Current liability increased by THB 278.49 million or 30.35%

Current liability increased by THB 278.49 million as follows:

- Liabilities under lease agreements increased by THB 96.18 million according to TFRS16.
- Overdraft and short-term loan from financial institutes increased THB 84.33 million.
- Trade accounts payable and other payables increased by THB 69.62 million due to purchasing goods for a new semester.

Non-current liability increased by THB 195.96 million or 62.99%

Non-current liabilities increased by THB 195.96 million due to:

- Liabilities under lease agreements increased by THB 258.92 million according to TFRS16 which was effective in 2020.

Shareholder's equity decreased by THB 21.16 million or 1.70%

Shareholder's equity decreased by THB 21.16 million due to more losses.

Table 3 : Statement of cash flows for the three-month period ended 31 March 2020 and 2019 (Unit : Million Baht)

	Consolidated financial statement			
	Q1'2020	Q1'2019	Increase (decrease)	%
Cash flows from (used) operation activities	(39.30)	(47.31)	8.01	16.93%
Cash flows from (used) investing activities	(25.90)	(6.64)	(19.26)	(290.06%)
Cash flows from (used) financing activities	65.58	34.90	30.68	87.91%
Net Cash flows (decreased)	0.38	(19.05)	19.43	101.99%

Cash flows used in operation activities in Q1'2020 was THB (39.30) million

The net cash flows used in operation in the amount of THB (39.30) million came from:

- Profit in the form of cash from operation was THB 45.11 million.
- Operational assets increased by THB 134.45 million due to an increase of goods and trade receivables during a summer semester.
- Operational liabilities increased by THB 56.66 million because foreign payables purchased for the new semester.
- Cash decreased from paying employees' long-term benefits for THB 2.62 million in the form of the honor rewards program for employees.

- Cash decreased by THB 3.56 million from paying an interest of the long-term loans.

Cash flows used in investing activities in Q1'2020 was THB (25.90) million.

- Cash decreased by THB 25.79 million due to paying liabilities under lease agreements.
- Cash decreased by THB 6.78 million from purchasing equipment, renovating the kitchen and sport field of the Company's subsidiary, and purchasing equipment for students.
- Current investments decreased by THB 6 million due to the Company's subsidiary.

Cash flows from financing activities in Q1'2020 was THB 65.58 million

- Cash increased from short-term loans from financial institutes by THB 80 million.
- Cash increased from withdrawal THB 4.33 million overdrafts.
- Cash decreased from repaying a long-term loan to financial institutes by THB 19.05 million.

Table 4 : Financial ratio of Q1'2020 and Q1'2019

		Consolidated financial statement	
Financial ratios		Q1'2020	Q1'2019
Return On Equity (ROE)	%	0.34	1.02
Return on Asset (ROA)	%	1.02	0.86
Debt to Equity Ratio	times	1.39	1.14
Interest Coverage Ratio	times	13.83	11.34

Note:

- ROE (Return on Equity) = Net profit (Parent Company only) divided by shareholder's equity (averaged) from Parent Company only
- ROA (Return on Assets) = Net profit before financial and tax expenses divided by total assets (averaged)
- Debt to Equity ratio = total debts divided by shareholder's equity (minor shareholder's equity included)
- Debt service Coverage Ratio = Profit from operating activities before changes in operating assets and liabilities + interest + income tax expenses divided by interest from operation and investment

ROE was 0.34% decreased by 0.68% while ROA was 1.02% increased by 0.16%

Return on Equity (ROE) was 0.34% decreased by 0.68% due to its operational performance. Return on Assets (ROA) was 1.02% increased by 0.16% because of recording the rights of use under lease agreements according to TFRS16 which was effective in 2020.

Debt to Equity Ratio
was 1.39 times,
increased by 0.25
times

Debt to Equity Ratio of the shareholder increased by 0.25 times because recording liabilities under lease agreements according to TFRS16 which was firstly effective in 2020.

Interest Coverage
Ratio was 13.83 times,
increased by 2.49
times

Interest Coverage Ratio increased by 2.49 times due to a decrease in interest in accordance with the principle portion.

Signature.....

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INVESTOR RELATION

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